Senator Olive, Representative Lensing and Members of the Oversight Committee:

My fellow board members and I on the Iowa Association of School Boards welcome the opportunity to come before you to disclose fully what we know of matters that have come to the attention of the public and which reflect unfavorably on our organization. We are ready to do so because we share your anger at this situation. Anger because people we trusted with the management of our 64-year-old service organization let us down and erected such a barrier to information that it took months of painful disentanglement to tear down this wall. Looking back, we recognize that we could have exercised greater oversight during the transition between management teams, but none of us could have envisioned that such an appalling level of misconduct was even a remote possibility.

IASB is an organization of elected school board members dedicated to assisting school boards in achieving their goal of excellence and equity in public education. We on this board were selected by our colleagues to leadership roles in this endeavor, and we take our responsibilities very seriously.

Over the past two decades IASB has expanded its services, often at the request of school districts, in areas of board education, financial assistance, advocacy, insurance, safety, recreation, and administration. In order to maintain efficiency in managing this spectrum of operations, it became necessary at times to launch independent corporate entities under our umbrella in tandem with insurance, financial, and other private firms. These included a for-profit subsidiary that could handle the business side of activities so IASB could stay focused on its core mission and protect its not-for-profit status. A second example was a charitable subsidiary to raise funds for our vital research activities at the Iowa School Boards Foundation. In each case, expert consultation was retained in order to provide affordable services that school districts needed, and in many cases that actually have saved them significant amounts of money. Occasionally, when a program did not meet goals, it was abandoned or sold to an entity that could serve schools more efficiently. This one-stop-shop for Iowa schools has allowed us to retain 99 to 100% membership among the state's districts for several years.

We are aware that you know we are not a public entity but are instead a not-for-profit corporation in the private sector. The majority of our financial support comes not from dues but instead through our provision of vital goods and services to school districts, often in direct competition with for-profit entities in the marketplace. In many cases we are saving districts money by providing these services or giving them significantly discounted rates, for instance, when staff travel to distant sites in the state for consultation or training. Districts can elect to store their funds in local banks rather than our Iowa Schools Joint Investment Trust program if they so choose. They can take out lines of credit in those banks in times of cash shortages rather than to draw funds from our Iowa Schools Cash Anticipation Program where they have actually collected earnings from the interest rate spread. They can hire a commercial laboratory instead of our drug-testing program to make sure their children are not bused to school by a meth-addled driver. They can go onto the open risk-management insurance market instead of placing their funds into our comprehensive Safety Group Insurance Program that has returned sizable dividends back to districts for years. With all these business services, school districts utilize them only if they choose to do so. Our services have grown because they are good, quality services. We feel that these and other non-dues-related IASB programs are not inappropriate uses of Iowa taxpayer dollars any more than are a school's purchase of desks from Wal-Mart or legal services from a law firm.

Two salient factors adversely impacted our operations during 2009. First was the turnover of our two top administrative positions within a two-month span. Second was the persistence of unprecedented low interest rates that dramatically decreased our customary income from the rate spread that our two largest financial programs depend upon.

Our new administrators, Dr. Maxine Kilcrease, Chief Executive Officer, and Kevin Schick, a consultant who ultimately came to serve as Chief Financial Officer, came to us highly recommended during the search process. While Dr. Kilcrease quickly assumed an uncommon level of autonomy in her leadership style, we accepted the matter with the deference we would have afforded to any new executive. In turn, Mr. Schick portrayed his numerous prior corporate leadership roles as valuable assets in assisting with our less robust financial position. Both brought sharp new directions to the organization in matters of personnel management, programs, and finance, and we initially accommodated them in a sort of honeymoon period for those first months. In all cases, in-house legal counsel assured us of the legitimacy and appropriateness of these changes for the best interests of the organization.

As a board of directors, however, we found ourselves unable to receive the financial data that prudent oversight required despite vigorous and repeated inquiry. We were not even able to get a monthly income-and-expenditure report from Mr. Schick and the newly hired controller. Mr. Schick told us this was because a backlog of data had not been entered into the accounting system and because he and the controller were unable to understand the spreadsheets developed by the previous controller whom Dr. Kilcrease had terminated.

Needless to say, we requested assistance from our auditors at Brooks/Lodden. However, Dr. Kilcrease advised us that the auditing firm was requesting unusually large volumes of information, some of which the controller could not provide because of the spreadsheet problem. She also reported that the auditors were not performing in an ethical fashion and were subject to legal action by IASB because of their poor performance. In reality, we found out much later that Mr. Schick was withholding from the auditors even such rudimentary data as our board minutes and governing policy. We have come to know only recently that one day after the auditors requested a meeting of the board without management present, Dr. Kilcrease threatened them with termination or implied litigation if they spoke with any board member, and the auditors complied. Upon our discovery of this and other matters, Dr. Kilcrease was expeditiously placed on administrative leave, pending further investigation. Mr. Schick resigned earlier in the midst of an internal investigation, the results of which showed appalling breaches of candor and personal misuse of the association credit card. We want to emphatically point out that the internal process to catch such activity worked exactly as it should, and that the association took care of the problem immediately after its discovery.

The matter of raises of senior level administrative salaries deserves attention. IASB’s longstanding governance policy on Confidentiality of Salary Information prohibits access of the board of directors to any staff salary other than that of the Executive Director. And since the 990 tax form containing key staff salaries was delayed along with the audit, that information was unavailable to the board in that form as well. When we finally breached the barrier of secrecy, we were shocked and dismayed to discover that Dr. Kilcrease had authorized raises for three senior staff while terminating other valued staff as a money-sparing maneuver. The facts behind the unfortunate increase in Dr. Kilcrease's own salary are still under evaluation, including handwriting analysis, by an outside investigative firm retained by legal counsel. Whether this will be at variance with matters reported by the media remains to be seen.

Finally, with respect to government funding, we did receive two federal grants in recent years: a previous one for our award-winning Lighthouse Study of the relationship between school boards and student achievement, and the other (accompanied by a 2008 $500,000 State of Iowa match) for the Skills Iowa program that is providing direct curricular support to classroom teachers in over 300 Iowa schools. We adopted the Skills Iowa program after the Iowa State Education Association declined to accept an offer for the grant, thereby permitting us to rescue a $2.5 million federal earmark that would otherwise not have been available to Iowa teachers. There ***does*** appear to have been an unintended error in the drawdown of the federal portion of these funds, a fact we have reported to both the state and federal Departments of Education, and that we will resolve as soon as our auditors complete their work, perhaps as early as next month.

On a final note, all of us who serve as volunteers on the IASB Board of Directors have long experience with work on school boards and often on not-for-profit boards as well. This not-for-profit world is an almost quintessentially "American" mechanism for providing benefits to society. But as with public school boards, accepting oversight responsibility in a not-for-profit corporation is often a vexing tightrope – the need to resist the temptation to micromanage against the failure to speak up when concerned that management may be falling short of the organization's mission. It requires mutual trust, respect, candor, and the highest ethics on the part of both board and management. "Outside" directors like ourselves, meeting every other month, are somewhat limited in making and adjusting day to day corporate action because our line of authority runs primarily through the Chief Executive Officer, and we as board members can scarcely dictate the details that we delegate to management personnel.

We are as dismayed as you are about this situation. We now regret some unfortunate hiring decisions and wish we could turn back the clock. However, we did discover our problems earlier than they came to the attention of others, and had been endeavoring vigorously to correct them when they were made public. Therefore, as we proceed, we will work hard to rebuild our reputation and restore the faith that school districts have placed in us. May we ask that you wait with us until our audit and other official investigations are complete and we have the full story. We ***will*** resolve this matter.

Again, we thank you for the opportunity to address you and will now gladly address any questions you may have of us.